



April 1, 2015

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## ENGROSSED HOUSE BILL No. 1102

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DIGEST OF HB 1102 (Updated March 30, 2015 12:30 pm - DI 106)

**Citations Affected:** IC 24-11 .

**Synopsis:** Patent protection. Prohibits a person from asserting a claim of patent infringement in bad faith. Provides that a court may, upon motion, require a person to post a bond if the target establishes a reasonable likelihood that the person has made an assertion of patent infringement in bad faith. Provides that a claim of patent infringement is not made in bad faith if certain conditions apply to the person making the claim. Establishes remedies, damages, and civil penalties. Exempts certain: (1) approved postsecondary educational institutions; (2) technology transfer organizations owned by or affiliated with approved postsecondary educational institution; and (3) licensees holding patents from postsecondary educational institutions or technology transfer organizations owned by or affiliated with postsecondary educational institutions; from the provisions regarding bad faith assertions of patent infringement.

**Effective:** July 1, 2015.

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### Koch, Hale, VanNatter, Cox

(SENATE SPONSOR — STEELE)

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January 8, 2015, read first time and referred to Committee on Judiciary.

February 10, 2015, amended, reported — Do Pass.

February 12, 2015, read second time, ordered engrossed. Engrossed.

February 16, 2015, read third time, passed. Yeas 95, nays 1.

SENATE ACTION

February 24, 2015, read first time and referred to Committee on Civil Law.

March 31, 2015, amended, reported favorably — Do Pass.

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EH 1102—LS 6645/DI 110





April 1, 2015

First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

## ENGROSSED HOUSE BILL No. 1102

A BILL FOR AN ACT to amend the Indiana Code concerning trade regulation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 24-11 IS ADDED TO THE INDIANA CODE AS  
2       A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1,  
3       2015]:

4       **ARTICLE 11. BAD FAITH ASSERTIONS OF PATENT**  
5       **INFRINGEMENT**

6       **Chapter 1. Application**

7       **Sec. 1. This article does not apply to a demand letter or**  
8       **assertion of patent infringement that includes a claim for relief**  
9       **arising under:**

10       (1) 35 U.S.C. 271(e)(2); or

11       (2) 42 U.S.C. 262.

12       **Sec. 2. This article does not apply to any of the following:**

13       (1) An approved postsecondary educational institution (as  
14       defined in IC 21-7-13-6(a)).

15       (2) A technology transfer organization owned by or affiliated

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with an approved postsecondary educational institution (as defined in IC 21-7-13-6(a)).

(3) A licensee holding a patent from:

(A) an approved postsecondary educational institution (as defined in IC 21-7-13-6(a)); or

(B) a technology transfer organization owned by or affiliated with an approved postsecondary educational institution;

if the patent has been licensed by the approved postsecondary educational institution or technology transfer organization.

## **Chapter 2. Definitions**

Sec. 1. The definitions in this chapter apply throughout this article.

Sec. 2. (a) "Demand letter" means a letter, electronic mail, or any other written, including electronic, communication asserting that a target has engaged in patent infringement.

(b) The term does not include a complaint alleging patent infringement, or other documents related to an action for patent infringement, filed:

(1) in a United States District Court; or

(2) with the International Trade Commission.

Sec. 3. "End user" means a person who purchases, rents, leases, or otherwise obtains a product or service in the commercial market that is not for resale in the commercial market and that is, or later becomes, the subject of a patent infringement allegation.

Sec. 4. "Person" means an individual, a corporation, a limited liability company, a partnership, or other legal entity.

Sec. 5. "Target" means any of the following:

(1) An end user who has received a demand letter or against whom an assertion of patent infringement has been made.

(2) An end user who has been threatened with litigation for patent infringement or against whom a lawsuit has been filed alleging patent infringement.

(3) An end user whose customer has received a demand letter asserting that the person's product, service, or technology has infringed a patent.

## **Chapter 3. Assertions of Patent Infringements in Bad Faith Prohibited**

Sec. 1. (a) A person may not assert a claim of patent infringement in bad faith.

(b) Notwithstanding section 2 of this chapter, a claim of patent infringement is not made in bad faith under this chapter if the



1 person making the claim:

2 (1) owns or has the right to license or enforce the patent; and

3 (2) does one (1) or more of the following:

4 (A) Notifies another person:

5 (i) of the person's ownership of the patent or right to  
6 license or enforce the patent;

7 (ii) that the patent is available for license or sale; or

8 (iii) of an infringement of the patent under Title 35 of the  
9 United States Code.

10 (B) Seeks compensation from a person:

11 (i) on account of a past or present infringement of a  
12 patent; or

13 (ii) for a license;

14 if it is reasonable to believe that the person from whom  
15 compensation is sought owes the compensation.

16 Sec. 2. (a) A court may consider the following factors as  
17 evidence that a person has made an assertion of patent  
18 infringement in bad faith:

19 (1) The person distributed a demand letter that does not  
20 contain all the following information:

21 (A) The patent number of the patent that the person claims  
22 is being infringed.

23 (B) The name and address of:

24 (i) a patent owner;

25 (ii) if applicable, any assignee of the patent; and

26 (iii) if applicable, a patent owner's or assignee's agent  
27 who is retained by the patent owner or assignee to  
28 enforce the patent.

29 (C) Factual allegations identifying specific areas in which  
30 the target's products, services, and technology infringe the  
31 patent or are covered by the claims in the patent.

32 (2) The person fails to:

33 (A) conduct an analysis comparing the claims in the patent  
34 to the target's products, services, and technology; or

35 (B) identify, if the person conducts an analysis described in  
36 clause (A), specific areas in which the target's products,  
37 services, and technology are covered by the claims in the  
38 patent.

39 (3) If the demand letter does not contain the information  
40 described in subdivision (1), the person that distributed the  
41 demand letter fails to provide the information within a  
42 reasonable amount of time after the target requests the



information.

(4) The person demands:

(A) payment of a license fee; or

(B) a response from the target;

within an unreasonably short period of time.

(5) The person offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license.

(6) The claim or assertion of patent infringement is meritless, and the person knew, or should have known, that the claim or assertion is meritless.

(7) The claim or assertion of patent infringement is deceptive.

(8) The person or the person's subsidiaries or affiliates have previously filed or threatened to file a lawsuit based on the same or similar claim of patent infringement and the:

(A) filing or threats to file lacked the information described in subdivision (1); or

(B) person attempted to enforce the claim of patent infringement in litigation and a court found the claim to be meritless.

(9) Any other factor the court finds relevant.

(b) A person may not use the failure of a target to request any information described in subsection (a)(1) that is not contained in the demand letter as a defense to an action under this chapter.

Sec. 3. A court may consider the following factors as evidence that a person has not made a bad faith assertion of patent infringement:

(1) The demand letter contains the information described in section 2(a)(1) of this chapter.

(2) If the:

(A) demand letter lacks the information described in section 2(a)(1) of this chapter; and

(B) target requests the information;

the person provides the information to the target within a reasonable period of time.

(3) The person engages in a good faith effort to:

(A) establish that the target has infringed the patent; and

(B) negotiate an appropriate remedy.

(4) The person makes a substantial investment in the:

(A) use of the patent; or

(B) production or sale of a product or item covered by the patent.



(5) The person is:

(A) the inventor or joint inventor of the patent; or

(B) if the patent was filed by and awarded to an assignee of the original inventor or joint inventor, the original assignee.

(6) The person has:

(A) demonstrated good faith business practices in previous efforts to enforce the patent or a substantially similar patent; or

(B) successfully enforced the patent, or a substantially similar patent, through litigation.

(7) Any other factor the court finds relevant.

#### **Chapter 4. Bond**

**Sec. 1. (a)** Subject to subsection (c), upon motion by a target and a finding by the court that a target has established a reasonable likelihood that a person has made a bad faith assertion of patent infringement in violation of this chapter, the court shall require the person to post a bond in an amount equal to a good faith estimate of the target's costs to litigate the claim and amounts reasonably likely to be recovered under IC 24-11-5, conditioned upon payment of any amounts finally determined to be due to the target.

(b) A hearing shall be held upon the request of either party.

(c) A bond ordered under this section may not exceed two hundred fifty thousand dollars (\$250,000).

(d) The court may waive the bond requirement if the court finds the person has available assets equal to the amount of the proposed bond or for other good cause shown.

#### **Chapter 5. Enforcement; Remedies; Damages**

**Sec. 1. (a)** The attorney general may maintain an action in the name of the state of Indiana to enjoin a person from violating this chapter. A court in which the action is brought may:

(1) issue an injunction;

(2) order the person to make restitution;

(3) order the person to reimburse the state for the attorney general's reasonable costs of investigating and prosecuting the violation; and

(4) impose a civil penalty of not more than ten thousand dollars (\$10,000) per violation.

(b) A person that violates an injunction issued under this section is subject to a civil penalty of not more than ten thousand dollars (\$10,000) per violation. The court that issues the injunction retains jurisdiction over a proceeding seeking the imposition of a civil



1 penalty under this subsection.

2 (c) A civil penalty imposed and collected under this section shall  
3 be deposited in the state general fund.

4 Sec. 2. (a) A target, or a person aggrieved by a violation of:

5 (1) this chapter; or

6 (2) rules adopted under this chapter;

7 may bring an action in a court with jurisdiction.

8 (b) A court may award any or all of the following to an  
9 individual who prevails in an action under subsection (a):

10 (1) Declaratory or equitable relief.

11 (2) Reasonable attorney's fees, litigation expenses, and costs.

12 (3) Actual damages.

13 (4) Punitive damages in the amount of the greater of:

14 (A) fifty thousand dollars (\$50,000); or

15 (B) three (3) times the amount of actual damages.

16 Sec. 3. The enforcement proceedings, private right of action,  
17 remedies, and penalties established under this chapter are:

18 (1) cumulative; and

19 (2) in addition to any other enforcement proceedings, private  
20 right of action, remedies, and penalties available under any  
21 other state or federal law, rule, or regulation relating to  
22 assertions of patent infringement.





## COMMITTEE REPORT

Mr. Speaker: Your Committee on Judiciary, to which was referred House Bill 1102, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 2, between lines 7 and 8, begin a new paragraph and insert:

**"Sec. 3. "End user" means a person who purchases, rents, leases, or otherwise obtains a product or service in the commercial market that is not for resale in the commercial market and that is, or later becomes, the subject of a patent infringement allegation."**

Page 2, line 8, delete "3." and insert "4."

Page 2, line 10, delete "4." and insert "5."

Page 2, line 11, delete "Indiana person" and insert "end user".

Page 2, line 14, delete "Indiana person" and insert "end user".

Page 2, line 17, delete "Indiana person" and insert "end user".

Page 2, line 22, after "1." insert "(a)".

Page 2, between lines 23 and 24, begin a new paragraph and insert:

**"(b) Notwithstanding section 2 of this chapter, a claim of patent infringement is not made in bad faith under this chapter if the person making the claim:**

**(1) owns or has the right to license or enforce the patent; and**

**(2) does one (1) or more of the following:**

**(A) Notifies another person:**

**(i) of the person's ownership of the patent or right to license or enforce the patent;**

**(ii) that the patent is available for license or sale; or**

**(iii) of an infringement of the patent under Title 35 of the United States Code.**

**(B) Seeks compensation from a person:**

**(i) on account of a past or present infringement of a patent; or**

**(ii) for a license;**

**if it is reasonable to believe that the person from whom compensation is sought owes the compensation."**

Page 4, between lines 20 and 21, begin a new line triple block indented and insert:

**"(iii) A licensee holding a patent from an approved postsecondary educational institution (as defined in IC 21-7-13-6(a)) or a technology transfer organization owned by or affiliated with an approved postsecondary educational institution if the patent has been licensed by the approved postsecondary educational institution or**



**technology transfer organization."**

and when so amended that said bill do pass.

(Reference is to HB 1102 as introduced.)

STEUERWALD

Committee Vote: yeas 8, nays 1.

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#### COMMITTEE REPORT

Madam President: The Senate Committee on Civil Law, to which was referred House Bill No. 1102, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, between lines 11 and 12, begin a new paragraph and insert:

**"Sec. 2. This article does not apply to any of the following:**

**(1) An approved postsecondary educational institution (as defined in IC 21-7-13-6(a)).**

**(2) A technology transfer organization owned by or affiliated with an approved postsecondary educational institution (as defined in IC 21-7-13-6(a)).**

**(3) A licensee holding a patent from:**

**(A) an approved postsecondary educational institution (as defined in IC 21-7-13-6(a)); or**

**(B) a technology transfer organization owned by or affiliated with an approved postsecondary educational institution;**

**if the patent has been licensed by the approved postsecondary educational institution or technology transfer organization."**

Page 4, delete lines 29 through 42, begin a new line block indented and insert:

**"(5) The person is:**

**(A) the inventor or joint inventor of the patent; or**

**(B) if the patent was filed by and awarded to an assignee of**



**the original inventor or joint inventor, the original assignee."**

Page 5, delete lines 1 through 5.

and when so amended that said bill do pass.

(Reference is to HB 1102 as printed February 10, 2015.)

ZAKAS, Chairperson

Committee Vote: Yeas 7, Nays 1.

